

Economic Conditions

January 2003

Civilian Labor Force

- By historic standards, the current economic downturn in Virginia continues to be relatively mild. Virginia's unemployment rate declined by two-tenths of a percentage point in November to 3.6 percent.
- The November unemployment rate is 51 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 5.7 percent in November is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 136,000 Virginia workers were unemployed in November 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 18,000 *fewer* Virginians were unemployed in November than a year earlier—an 11.7 percent decrease. In addition, 6,000 *fewer* Virginians were unemployed in November than October 2002.
- Northern Virginia, which accounts for one-third of Virginia's labor force, had an unemployment rate of 2.6 percent. Five of Virginia's eight MSA's had October unemployment rates above the statewide average—Danville (6.0 percent), Bristol (5.3 percent), Lynchburg (4.4 percent), Norfolk-Newport News (3.8 percent), and Richmond-Petersburg (3.8 percent).
- Virginia's November unemployment rate was lower than all nearby states (Maryland, Tennessee, Georgia, Kentucky, West Virginia, South Carolina, and North Carolina).

		Nov. 02	Nov. 01	Nov. 01 to Nov. 02	
				Net Change	% Change
Labor Force	VA	3,771,179	3,693,303	77,876	2.1%
	US	142,405,000	141,911,000	494,000	0.3%
Employment	VA	3,634,815	3,538,859	95,956	2.7%
	US	134,358,000	134,359,000	-1,000	0.0%
Unemployment	VA	136,364	154,444	-18,080	-11.7%
	US	8,047,000	7,551,000	496,000	6.6%
Unemployment rate	VA	3.6%	4.2%	----	-14.3%
	US	5.7%	5.3%	----	7.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

- Nonagricultural employment declined by 11,100 jobs from October 2001 to October 2002. Compared with the last recession a decade ago, the employment decline during this downturn has been relatively mild. Nonagricultural employment reached a peak in December 2000 and bottomed out in February 2002 after declining 3.9 percent. This compares with a decline of 5.4 percent for the 1991-92 recession.
- In the past it has usually taken two to three years for nonagricultural employment to recover completely from the effects of a recession. If past experience is any guide, recovery from the current downturn should be complete by mid-summer of next year.
- Services; government; and finance, insurance, and real estate were the only sectors of the Virginia economy that grew from October 2001 to October 2002, adding 10,100; 4,600; and 1,000 jobs, respectively.
- The largest job losses in Virginia from October 2001 to October 2002 were in wholesale and retail trade (7,800 jobs), transportation and public utilities (7,100 jobs), manufacturing (6,500 jobs), and construction (5,200 jobs).
- Since July 1990, services has added more jobs than any other sector of the Virginia economy—426,200—and has grown at a faster rate than any other sector—57.7 percent.

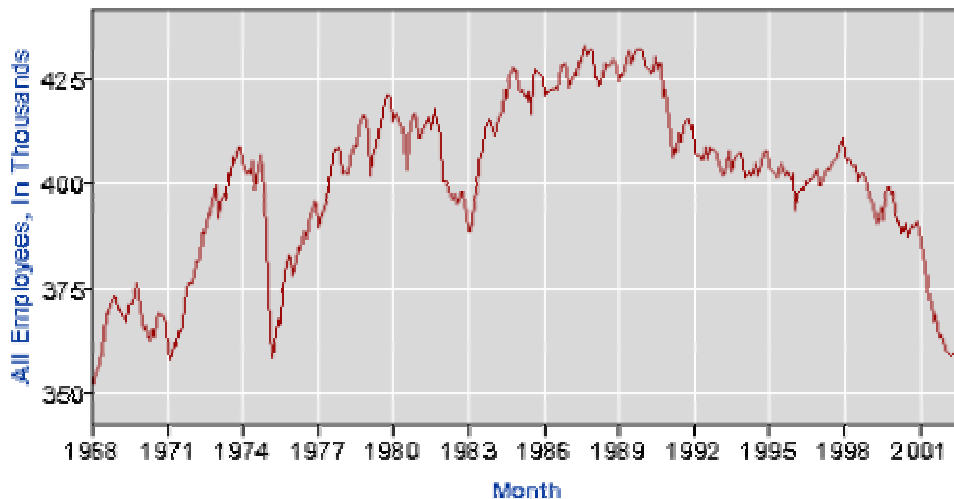
	Current				Historic			
			Oct. 01-Oct. 02				Oct. 90- Oct. 02	
	Oct. 02	Oct. 01	Net Change	%		Oct. 90	Net Change	%
Total	3,519,000	3,530,100	-11,100	-0.3%		2,898,600	620,400	21.4%
Mining	10,000	10,200	-200	-2.0%		14,900	-4,900	-32.9%
Construction	210,200	215,400	-5,200	-2.4%		177,000	33,200	18.8%
Manufacturing	356,800	363,300	-6,500	-1.8%		420,900	-64,100	-15.2%
Trans. and public utilities	177,500	184,600	-7,100	-3.8%		151,000	26,500	17.5%
Wholesale and retail trade	762,200	770,000	-7,800	-1.0%		659,700	102,500	15.5%
Finance, ins., and real estate	193,500	192,500	1,000	0.5%		153,700	39,800	25.9%
Services	1,164,400	1,154,300	10,100	0.9%		738,200	426,200	57.7%
Government	644,400	639,800	4,600	0.7%		583,200	61,200	10.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- Although manufacturing employment in Virginia rebounded slightly in October, it remains at its lowest level since May 1968.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.5 percent since then, losing 75,700 jobs, with textiles and apparel accounting for 44,000 of the total. In comparison, manufacturing declined nationally by 14.2 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally, manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.7 million jobs through October 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 1.8 percent in October from a year earlier. Among neighboring states, five had greater percentage losses (South Carolina, West Virginia, Maryland, North Carolina, and Tennessee). Two states (Georgia and Kentucky) had smaller losses.

Virginia Manufacturing Employment, 1968-2002
(Source: U.S. Dept. of Labor, Bureau of Labor Statistics)



Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 1,000 jobs over the past twelve months, a decline of 0.5 percent.
- Job losses were heaviest in three durable goods industries— furniture (1,400); stone, clay, and glass (800); and fabricated metals (800). The largest percentage losses were in furniture (7.8 percent) and stone, clay, and glass (6.5 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment and industrial machinery, which grew by 1,800 and 1,100 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,300 jobs, a 38.6 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,600 jobs (a 28.4 percent loss) during the same period. The weight of foreign imports will fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,300 jobs since July 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Oct. 01–Oct. 02				Oct. 90- Oct. 02	
	Oct. 02	Oct. 01	Net Change	%		Oct. 90	Net Change	%
Total manufacturing	356,800	363,300	-6,500	-1.8%		420,900	-64,100	-15.2%
Durable goods	186,500	187,500	-1,000	-0.5%		205,600	-19,100	-9.3%
Lumber	26,400	26,400	0	0.0%		24,000	2,400	10.0%
Furniture	16,600	18,000	-1,400	-7.8%		23,200	-6,600	-28.4%
Stone, clay, glass	11,600	12,400	-800	-6.5%		14,200	-2,600	-18.3%
Primary metals	9,700	9,900	-200	-2.0%		11,300	-1,600	-14.2%
Fabricated metals	17,000	17,800	-800	-4.5%		18,100	-1,100	-6.1%
Ind. machinery	27,800	26,700	1,100	4.1%		22,500	5,300	23.6%
Electronic equip.	21,200	21,800	-600	-2.8%		34,500	-13,300	-38.6%
Trans. equip.	41,500	39,700	1,800	4.5%		44,800	-3,300	-7.4%
Instruments	10,500	10,600	-100	-0.9%		10,000	500	5.0%
Misc. mfg.	4,200	4,200	0	0.0%		3,000	1,200	40.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 5,500 jobs over the past 12 months, a decline of 3.1 percent.
- Tobacco products added 900 jobs over the past year and printing added 100. Food products remained the same. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, paper, rubber and plastics, and chemicals, which lost a combined total of 6,400 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 61,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will likely cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,200 jobs, 10,400 since 1990 alone.

	Current				Historic			
			Oct. 01–Oct. 02				Oct. 90- Oct. 02	
	Oct. 02	Oct. 01	Net Change	%		Oct. 90	Net Change	%
Total manufacturing	356,800	363,300	-6,500	-1.8%		420,900	-64,100	-15.2%
Nondurable goods	170,300	175,800	-5,500	-3.1%		215,300	-45,000	-20.9%
Food products	38,900	38,900	0	0.0%		37,700	1,200	3.2%
Tobacco products	9,900	9,000	900	10.0%		13,600	-3,700	-27.2%
Textiles	19,300	22,700	-3,400	-15.0%		36,400	-17,100	-47.0%
Apparel	7,900	9,300	-1,400	-15.1%		25,900	-18,000	-69.5%
Paper	15,200	15,900	-700	-4.4%		16,900	-1,700	-10.1%
Printing	36,800	36,700	100	0.3%		35,400	1,400	4.0%
Chemicals	19,100	19,400	-300	-1.5%		29,500	-10,400	-35.3%
Rubber/plastics	22,300	22,900	-600	-2.6%		17,500	4,800	27.4%
Petroleum/leather	900	1,000	-100	-10.0%		2,400	-1,500	-62.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 94.5 percent increase, followed by engineering and management services, 54.9 percent, and communications, 27.1 percent. This compares with 21.4 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Oct. 01-Oct. 02				Oct. 90-Oct. 02	
	Oct. 02	Oct. 01	Net Change	%		Oct. 90	Net Change	%
Nonmanufacturing	3,162,200	3,166,800	-4,600	-0.1%		2,477,700	684,500	27.6%
Communications	56,800	59,300	-2,500	-4.2%		44,700	12,100	27.1%
Business services	315,300	319,500	-4,200	-1.3%		162,100	153,200	94.5%
Engineering and management svcs	147,800	142,000	5,800	4.1%		95,400	52,400	54.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in November. On a seasonally adjusted basis the CPI-U increased 0.1 percent in November.
- The index for food at home increased 0.3 percent. Excluding food and energy, the CPI-U increased 0.2 percent in November, the same increase as October.
- For the first 11 months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.6 percent. In the past two years, the CPI-U has increased by 4.1 percent.

Current			Historic		
Nov. 02	% Change, Oct. 02 to Nov. 02	% Change Nov. 01 to Nov. 02	% Change Nov. 90 to Nov. 02	% Change Nov. 80 to Nov. 02	% Change Nov. 70 to Nov. 02
181.3	0.0%	2.2%	35.5%	112.0%	357.8%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- One of the most frequently quoted and misunderstood financial indicators, the federal funds rate is at its lowest level in more than four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 27 percent, 41 percent, and 73 percent, respectively, below their all-time highs of almost three years ago.
- The Dow Jones Industrial Average ended 2001 with its worst annual loss in 25 years, giving the Dow its first three-year losing streak since before World War II. The Dow has fallen four consecutive years only once—from 1929 to 1932, at the start of the Great Depression. The S&P 500 experienced its worst year since 1974.

	Jan. 03	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	8608	-2.9%	8.4%	-5.5%	-14.5%
S&P 500	909	-2.8%	7.2%	-6.2%	-21.3%
NASDAQ	1385	-6.7%	14.1%	-1.4%	-30.0%

	Jan. 03	July 02	Jan. 02
Federal funds rate	1.25%	1.75%	1.75%
Treasury – 5 year	2.98%	4.04%	4.47%
Treasury – 10 year	4.03%	4.82%	5.16%
Bank prime loan rate	4.25%	4.75%	4.75%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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